




JOHN NAIMO
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-3873
PHONE: (213) 974-8301 FAX: (213) 626-5427

May 4, 2015

TO: Supervisor Michael D. Antonovich, Mayor
Supervisor Hilda L. Solis
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe

FROM: John Naimo 
Auditor-Controller

SUBJECT: **TELECARE CORPORATION – A DEPARTMENT OF MENTAL HEALTH
SERVICE PROVIDER – CONTRACT COMPLIANCE REVIEW**

We completed a contract compliance review of Telecare Corporation (Telecare or Agency), which included a sample of billings from Fiscal Years (FY) 2011-12 and 2012-13. The Department of Mental Health (DMH) contracts with Telecare to provide mental health services, including interviewing Program clients, assessing their mental health needs, and implementing treatment plans.

The purpose of our review was to determine whether Telecare provided the services outlined in their County contract, billed DMH for Program services provided, and appropriately spent DMH Program funds. We also evaluated the adequacy of the Agency's financial records, internal controls, and compliance with their contract and other applicable guidelines.

During FYs 2011-12 and 2012-13, DMH paid Telecare approximately \$36.1 and \$37.2 million, respectively, based on a cost-reimbursement basis and State-mandated negotiated rates. The Agency provides services in the First and Fourth Supervisorial Districts, and the Agency's headquarters is located in Alameda County.

Results of Review

Telecare staff had the required qualifications to provide DMH Program services, and the Agency maintained adequate staffing levels. Telecare also maintained adequate control over their cash handling. However, Telecare charged DMH \$109,158 in

questioned costs and billings. Subsequent to our review, Telecare resolved \$107,172 (98%) of the \$109,158 by either providing additional documentation (\$53,936), reallocating the questioned costs (\$27,196), or adjusting their Cost Reports (\$26,040). Specifically, Telecare:

- Charged the DMH Program \$53,936 for legal fees and equipment without adequate documentation to support the billing rates or how the expenditures benefitted the DMH Program. After our review, Telecare provided additional documentation to support the Program expenditures.
- Allocated \$27,196 to the DMH Program for six shared staff's payroll costs based on expected working time, not actual condition. After our review, Telecare re-allocated the shared staff's payroll expenditures based on actual hours worked, and reduced DMH Program expenditures.
- Over allocated the DMH Program \$26,040 in FY 2011-12 for employee bonuses. After our review, Telecare incorrectly reduced the \$26,040 from their FY 2013-14 Cost Report instead of the FY 2011-12 Cost Report.
- Overbilled DMH \$1,986 for seven (18%) of the 40 billings reviewed, in which the Progress Notes did not describe what the clients or service staff attempted and/or accomplished towards the Client Care Plan objectives, and did not document the annual medication review for one (14%) of the seven clients reviewed who received psychotropic medication.

Telecare's attached response indicates that they will repay DMH \$1,986, and will revise their annual chart review to include annual psychotropic medication reviews.

- Did not obtain criminal record clearances or employment eligibility for four (19%) of the 21 employees reviewed.
- Did not maintain a complete fixed asset and equipment listing, including the item's serial number and source of funding, and did not perform an annual physical inventory.

Telecare's attached response indicates that they will strengthen their policy on conducting criminal background checks and obtain employment eligibility of all current and prospective employees, and update their policies on performing an annual inventory of their fixed assets and equipment.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with Telecare and DMH. Telecare's attached response indicates that they concurred with our findings and recommendations. DMH will work with Telecare to ensure that our recommendations are implemented.

We thank Telecare management and staff for their cooperation and assistance during our review. If you have any questions please call me, or your staff may contact Don Chadwick at (213) 253-0301.

JN:AB:DC:EB:sk

Attachments

c: Sachi A. Hamai, Interim Chief Executive Officer
Dr. Marvin J. Southard, D.S.W., Director, Department of Mental Health
Anne Bakar, Board President and Chief Executive Officer, Telecare Corporation
Public Information Office
Audit Committee

**TELECARE CORPORATION
DEPARTMENT OF MENTAL HEALTH
CONTRACT COMPLIANCE REVIEW
FISCAL YEARS 2011-12 AND 2012-13**

PROGRAM SERVICES

Objective

Determine whether Telecare Corporation (Telecare or Agency) provided the services billed to the Department of Mental Health (DMH) in accordance with their County contract and related guidelines.

Verification

We selected 40 (1%) of the 4,860 approved Medi-Cal billings and 78 (10%) of the 803 days billings for August and September 2012, which were the most current billings available at the time of our review (June 2013). We reviewed the Assessments, Client Care Plans, Progress Notes, Weekly Summaries, and Informed Consent forms in the clients' charts for the selected billings. The 40 billings and 78 days represent services provided to 19 clients. In addition, we reconciled an additional 66 service days billed to Psychiatric Health Facility (PHF).

Results

Telecare overbilled DMH \$1,986 for seven (18%) of the 40 billings reviewed. Specifically, the Progress Notes for six (32%) of the 19 clients reviewed did not describe what the clients or service staff attempted and/or accomplished towards the Client Care Plan objectives, as required by the DMH Provider's Manual, Chapter 2, Page 2-2. According to the DMH Provider's Manual, each chart note must include a description of service provided, what was attempted, and/or accomplished during the contact toward the attainment of a treatment goal.

In addition, Telecare did not document the annual medication review for one (14%) of the seven clients reviewed who received psychotropic medication, as required by the DMH Policy 103.1, 2.3.1. According to the DMH Policy, the prescribing physician must document review of medications with the client or guardians at least annually even in the absence of medication changes.

Recommendations

Telecare Corporation management:

- 1. Repay the Department of Mental Health \$1,986.**

2. Ensure that annual psychotropic medication review is documented in the client's chart.

STAFFING LEVELS

Objective

Determine whether the Agency maintained the appropriate full-time equivalent staff in PHF.

Verification

We selected five days that Telecare billed for the PHF Program. We reviewed census reports, staff attendance sheets, and staff timecards for August and September 2012.

Results

Telecare maintained the appropriate full-time equivalent staff level for all five days.

Recommendation

None.

STAFFING QUALIFICATIONS

Objective

Determine whether Telecare's treatment staff had the required qualifications to provide the mental health services.

Verification

We reviewed the California Board of Behavioral Sciences' website and/or the personnel files for 20 (23%) of the 87 Telecare treatment staff who provided services to DMH clients during August and September 2012.

Results

Each employee reviewed had the qualifications required to provide the billed services.

Recommendation

None.

CASH/REVENUE**Objective**

Determine whether Telecare properly recorded revenue in their financial records, deposited cash receipts into their bank accounts timely, and if bank account reconciliations were reviewed and approved by Agency management timely.

Verification

We interviewed Telecare personnel, and reviewed their financial records and May 2013 bank account reconciliations for two bank accounts.

Results

Telecare properly recorded revenue in their financial records, deposited DMH cash receipts timely, and bank account reconciliations were reviewed and approved by Agency management timely.

Recommendation

None.

EXPENDITURES/COST ALLOCATION PLAN**Objective**

Determine whether Telecare's Cost Allocation Plan (Plan) complied with their County contract, and if expenditures charged to DMH were allowable, properly documented, and accurately billed.

Verification

We reviewed the Agency's Plan and their financial records for 48 non-payroll expenditures, totaling \$720,885, charged to DMH from July 2011 to May 2013. We also interviewed Agency personnel.

Results

Telecare prepared their Plan in compliance with their County contract. However, the Agency inappropriately charged DMH \$79,976 in questioned costs. Specifically, Telecare:

- Over allocated the DMH Program \$26,040 in Fiscal Year (FY) 2011-12 for employee bonuses. After our review, Telecare incorrectly reduced \$26,040 from their FY 2013-14 Cost Report instead of the FY 2011-12 Cost Report.

- Charged \$25,684 in FY 2011-12 and \$26,619 in FY 2012-13 for legal fees without adequate documentation to support the attorney's billing rates and scope of work. After our review, Telecare provided additional documentation to support the Program expenditures.
- Charged \$1,633 in FY 2012-13 for purchasing a flat screen TV and mounts without maintaining documentation to support charging the DMH Program for the expenditure. After our review, Telecare provided additional documentation to support charging the Program expenditures to DMH.

Recommendations

Telecare Corporation management:

3. **Revise the Fiscal Years 2011-12 and 2013-14 Department of Mental Health Cost Reports by \$26,040, and repay the Department of Mental Health for any excess amounts received.**
4. **Ensure that Program expenditures are supported by adequate documentation.**

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether Telecare's fixed assets and equipment purchased with DMH funds were used for the Program and adequately safeguarded.

Verification

We interviewed Telecare personnel, and reviewed the Agency's fixed assets and equipment inventory list. We also performed a physical inventory of three items purchased with DMH funds to verify the items exist and were being used for the Program.

Results

Telecare adequately safeguarded and used the items reviewed for the DMH Program. However, Telecare did not maintain a complete equipment inventory list and depreciation schedule, as required. Specifically, Telecare's equipment inventory list did not include the serial number and source of funding for each item. Their County contract requires contractors to maintain a current listing of fixed assets, including the item description, serial number, date of purchase, acquisition cost, and source(s) of funding. In addition, Telecare did not conduct an annual physical inventory of their fixed assets and equipment.

Recommendations**Telecare Corporation management:**

- 5. Maintain a complete equipment inventory list, including all items used in the Department of Mental Health Program.**
- 6. Ensure to perform an annual inventory.**

PAYROLL AND PERSONNEL**Objective**

Determine whether Telecare appropriately charged payroll costs to DMH and maintained personnel files as required.

Verification

We compared the payroll costs for 21 (10 direct, 6 shared, and 5 administrative) employees, totaling \$206,657 (\$29,411 direct, \$52,602 shared, and \$124,644 administrative) for May 2013, to the Agency's payroll records and time reports. We also interviewed staff and reviewed their personnel files.

Results

Telecare charged \$27,196 in questioned payroll costs to the DMH Program, and did not always comply with their DMH contract requirements. Specifically, Telecare:

- Allocated \$27,196 to the DMH Program in May 2013 for six shared staff's payroll costs based on expected time worked, which is not an appropriate allocation methodology. In addition, the staff were not required to prepare time reports unless they were absent from work. After our review, Telecare re-allocated their employees' payroll costs based on actual hours worked, and determined that DMH Program expenditures were overcharged by \$1,839.
- Did not obtain criminal record clearance or employment eligibility for four (19%) of the 21 employees reviewed, as required by their County contract. The DMH contract requires Telecare to ascertain arrest and conviction records of all current and prospective employees, and obtain verification and other documentation of employee eligibility status, including citizenship or alien status requirements.

Recommendations

Telecare Corporation management:

7. Reduce the Fiscal Year 2012-13 Cost Report by \$1,839, and repay the Department of Mental Health for any excess amount received.
8. Maintain personnel files with required documentation, including criminal record clearances and employment eligibility verification.

COST REPORT**Objective**

Determine whether Telecare's FY 2011-12 DMH Cost Report reconciled to their financial records.

Verification

We compared the Agency's FY 2011-12 DMH Cost Report to their financial records.

Results

Telecare's FY 2011-12 DMH Cost Report reconciled to their financial records.

Recommendation

None.



April 16, 2015

John Naimo, Auditor-Controller
County of Los Angeles, Department of Auditor-Controller
500 West Temple St, Room 525
Los Angeles, CA 90012-3873

Re: Telecare Corporation FY11/12 and FY12/13 Contract Compliance Review

Dear Mr. Naimo:

In response to the audit report prepared by the office of the Auditor-Controller, Telecare Corporation is pleased that the County finds that our programs and mental health services substantially meet the County's standards and complies with contract requirements. Specifically, Telecare Corporation staff meet the required qualifications and Telecare Corporation meets the staffing requirements for the services provided. Telecare Corporation also managed cash, including timely deposits and recorded revenue according to County standards. Telecare Corporation's Cost Allocation Plan also meets the County Standards

Below is our response to the recommendations identified in various sections of the audit report.

Program Services

Issue: Progress Notes did not describe what the clients or service staff attempted and/or accomplished towards the Client Care Plan objectives.

Telecare Response: Telecare Corporation recognizes the importance of accurate and detailed progress notes and the importance to correspond with the client treatment plans. Staff will be designated to provide qualitative audits of progress notes to ensure notes include a description of service provided including how the service addresses progress towards identified treatment goals.

Issue: Annual medication review was not conducted for one of the seven clients reviewed who received psychotropic medication.

Telecare Response: Telecare Corporation will revise the annual review audit to ensure annual psychotropic medication review.

Telecare Recommendation: Telecare Corporation will repay the amount of \$1,986 related to the records that did not fully describe the actions towards the client treatment plan.

TELECARE CORPORATION
1080 MARINA VILLAGE PARKWAY, SUITE 100
ALAMEDA, CA 94501-1043

(510) 337-7950
(510) 337-7969 FAX



TELECARE
CORPORATION

Expenditures

Issue: Over charged \$26,040 to the DMH Program in FY 2011-12 for employee bonuses and made the correction of the overpayment on a future year cost report.

Telecare Response: Telecare Corporation estimates the cost of County approved employee bonuses for each fiscal year and books an accrual for these amounts. The precise amount is dependent upon factors that are not determinable prior to closing the books and submitting our cost report. The subsequent payment is made in the following year and the estimated cost is reversed, thus any difference is corrected. This is standard GAAP accounting and is approved by our independent auditor, PriceWaterhouse Coopers.

Telecare Recommendation: Telecare Corporation will revise the cost reports for both years to more accurately reflect the costs for each year.

Issue: Charged the DMH Program \$25,684 in FY 2011-12 and \$26,619 in FY 2012-13 for legal fees without documentation to support their billing rates and scope of work. Additional documentation was provided during the audit to fully support the expenditures.

Telecare Response: Telecare Corporation will ensure proper documentation is maintained to support the expenses.

Issue: Charged the DMH Program \$1,633 in FY 2012-13 for purchasing a flat screen TV and mounts without documentation to support that the expenditures benefited the DMH Program. Additional documentation was provided during the audit to fully support the expenditures.

Telecare Response: Telecare Corporation will ensure proper documentation is maintained to support the expenses.

Fixed Assets and Equipment

Issue: Maintain a complete equipment inventory list, including all items used in the DMH and the Programs.

Telecare Response: Telecare Corporation maintains an inventory listing that includes items purchased, date of purchase, purchase amount and location of items purchased. Telecare Corporation will review our procedures related to maintaining an inventory listing and ensure they comply with County contract requirements.

Issue: Ensure to perform an annual inventory.

Telecare Response: Telecare Corporation will review and update our policies on performing an annual inventory.

Payroll and Personnel

TELECARE CORPORATION
1080 MARINA VILLAGE PARKWAY, SUITE 100
ALAMEDA, CA 94501-1043

(510) 337-7950
(510) 337-7969 FAX



Issue: Allocated \$27,196 to the DMH Program in May 2013 for six shared staff's payroll costs based on expected time worked, which is not appropriate allocation methodology. In addition, the shared staff were not required to prepare time report unless they were absent from work. Additional documentation was provided to support all but \$1,839 of the allocated charges.

Telecare Response: Telecare Corporation will adopt the revised allocation methodology reviewed and approved by the County. Telecare will also revise the cost report for the overcharged amount.

Issue: Did not obtain criminal record clearances for two DMH staff, as required by the DMH contract. The DMH contract requires Telecare to ascertain arrest and conviction records of all current and prospective employees. Did not maintain documentation to support employment eligibility for two employees, as required by the DMH contract. The DMH contract requires agencies obtain verification and other documentation of employee eligibility status, including citizenship or alien status requirements.

Telecare Response: Telecare Corporation existing policy is to conduct criminal background checks on all current and prospective employees and to verify documentation of employment eligibility. It appears there was an oversight in applying our policy to the selected employees. Telecare Corporation will review the policy and procedures and re-train staff involved in complying with the policy and procedures to ensure compliance.

We appreciate the time and collaboration of your staff in performing the audit and preparing the audit report. Telecare Corporation is committed to providing the highest quality mental health services to the clients in Los Angeles County in accordance with our contract and program requirements.

Sincerely,

Kevin Moghannam,
Vice President, Controller